



Human Resource Services
FOR PUBLIC AGENCIES



POSITIONED FOR THE FUTURE

Annual Report 2003

Improving Public Agency

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CPS HUMAN RESOURCE SERVICES

has a long and stable history of serving the public sector. More so than ever, our agency is positioned for the future to be among the premier providers of HR products and services to public agencies and non-profit organizations throughout North America.

CPS has experienced growth, expanded products and services, strengthened our executive team, successfully achieved our five-year business plan, and positioned ourselves for future business opportunities. Key to the growth of CPS has been our efforts to continually develop our relationships with our Board of Directors. The CPS Board provides the visionary leadership required to consistently stretch the boundaries and exceed expectations. Our collective belief that our organizational culture is a prime driver for our success is reflected by the relationship between our Board, our employees, and our clients. The



Pictured, from left to right: David Hill, Pamela Stewart, Jerry Greenwell, and Ed Cole.

Human Resources

ethics and values of CPS have been our guideposts through this period of tremendous growth and expansion, and we will continue to do it right.

Several recent initiatives have already resulted in new business opportunities and contracts this past year. When we expanded our Board of Directors, it was with the idea of bringing our products and services closer to the public agencies we serve. It was during that time frame that we opened our first regional office outside of California, in the state of Wisconsin. That move has proven to be quite beneficial. As a result, we were awarded many consulting contracts in the East, including the successful completion of a high-profile study of the City of Atlanta's HR processes. A short case study on the work we performed for the City of Atlanta is included in this report.

Another business venture finalized this year was the acquisition of Shannon and Associates. For the past several years, we have been interested in developing an executive search division to complement our other lines of HR services for our public agency clients. Because of our 15-year association with John Shannon and his firm, our shared values, and our common vision to help improve public agency Human Resources, it was a natural fit for us to officially join forces. Now called Shannon Executive Search, a division of CPS Human Resource Services, John and his team are part of our CPS family. The added value provides tremendous opportunities for clients seeking quality executive leadership.

CPS has long sought to become a provider of services to the federal government. With the changes taking place within the federal government, we saw opportunities for CPS to be helpful to the various governmental agencies that are preparing to fight the war on terrorism. As a result, we were awarded a large contract with the National Institutes of Health and became MOBIS Certified, which positions us as a preferred provider for federal government contracts.

To further meet the challenges that lie ahead, this past year we made two key personnel moves to ensure our future growth. Ed Cole, who has been with CPS for 15 years as Deputy Executive Director, was named Co-Executive Director, and Jerry Greenwell was promoted to the Deputy Executive Director position. Both of these individuals have proven their leadership and dedication to moving our organization forward.

Lastly, we could not produce this report without recognizing our talented CPS team members who are committed to helping our clients achieve success and reach their goals. We are very proud of them and their perseverance in helping to improve public-sector HR. Everyday, they live our vision and mission and prove that the foundation for CPS' future is solidly grounded in our core values.

With our team and strategy in place, we are well-prepared to serve our clients of today and tomorrow.

Signed,



DAVID HILL

Chair of the Board and
HR Director for the City of Anaheim



PAMELA STEWART

Co-Executive Director
CPS Human Resource Services



ED COLE

Co-Executive Director
CPS Human Resource Services



JERRY GREENWELL

Deputy Executive Director
CPS Human Resource Services



"We look to establish a long-term relationship with each client. It is not a one-shot deal. We go on a journey with our clients."



HIGHLIGHTS OF THE PAST FIVE YEARS

The Challenge to Change

In 1997, CPS embarked on a challenging five-year process to dramatically enhance the organization and expand its capabilities. The goal: to optimize delivery of HR and management services to public agencies.

Along the way, we learned many valuable lessons. Chief among them: it takes courage to take risks. But the payoff is enormous. Courage breeds creativity, and that creativity resulted in new and improved products and services for our clients.

During those five years, CPS experienced many changes. We expanded our influence, going from a California-focused organization to one that is truly national, with a presence and client base that stretches from coast to coast.

Increasingly, our staff became recognized as leaders in the HR community. During the five-year period, CPS employees led a record number of presentations and workshops at professional and community meetings, including the National Organization for Competency Assurance, the International Personnel Management Association, and the California League of Cities. As recognition of CPS' leadership grew, so grew our relevance and stature.

In the last five years, partnerships have played an important role in CPS' success. We established long-term relationships with clients, believing that we need to "go on the journey" with them if we are to truly understand their needs. We created partnerships with organizations that share our values, in order to provide clients with the very best our industry has to offer.

Finally, we created a more strategic infrastructure, enabling CPS to improve capabilities and meet commitments. However, as we grew, we never lost sight of our vision: to constantly improve public-sector HR and management.

FINANCIAL GROWTH

CPS maintained an impressive 20 percent annual growth in revenues. We finished the five-year period with cumulative revenues of nearly \$60 million and annual revenues of \$16.86 million. These figures are a measure of our impact and influence in the public-sector HR industry.

BOARD GROWTH

In the last five years, CPS has expanded from seven to nine member agencies. The professional board members from these agencies have shared CPS' vision and demonstrated leadership in supporting staff as they made the difficult changes needed to implement the five-year plan.

CLIENT GROWTH

Along with a 20 percent annual growth in revenues, CPS experienced a similar increase in the number of clients it serves. We now have approximately 2,000 clients, ranging from small entities to large state and federal agencies. Through aggressive marketing efforts, we also were able to obtain a greater market share.

As CPS expanded to a larger and more diverse client group, we increased our relevance in the HR community at large.

PRODUCT AND SERVICE GROWTH

In the last five years, CPS has moved beyond testing to offer a full range of HR solutions. We have moved from providing conventional HR services to offering the full scope of sophisticated HR and management services, including consulting, workforce planning, training seminars, multi-lingual examining, recruitment and personnel services, and "rent-an-analyst" assistance. We also partnered with other industry leaders to provide clients the best, most up-to-date solutions to their HR problems.

CPS sees the successes of the last five years as a steppingstone to something greater. We look forward to the next five years and beyond with much excitement.

The
challenge
to
change

2002

2000

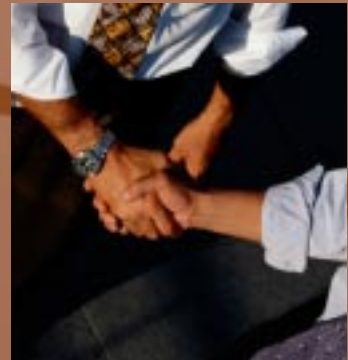
2000

1999

1998



"CPS and Shannon share the same values and many of the same clients. We are delighted John and his team have joined us! It is a natural partnership."



SHANNON EXECUTIVE SEARCH

Expanding Our Services

To further its goal of being a full-service HR provider to public agencies nationwide, CPS acquired Shannon Associates in 2002.

For more than 15 years, Shannon has provided executive recruitment and HR advisory services to local government and other public agencies throughout the Western United States. The acquisition makes CPS one of the few organizations that can offer high-level, comprehensive HR services throughout the country.

The renamed organization, Shannon Executive Search, is now a division of CPS. Founder John Shannon, with 30 years of HR management experience, has joined CPS as managing consultant.

SHARED VALUES

CPS and Shannon have something very important in common: shared values. We are committed to both the well-being and satisfaction of our public-sector clients.

MUTUAL UNDERSTANDING

Before the acquisition, Shannon and CPS had partnered on recruitment projects for clients that included the California State Association of Counties (CSAC) and the Association of California Water Agencies (ACWA). Through the acquisition, the two organizations will build on their longstanding relationship.

ENHANCED BENEFITS TO CLIENTS

Its partnership with Shannon has enabled CPS to provide expanded services and a comprehensive, “one-stop shopping experience” for public-sector agencies seeking executive recruitment assistance.

One of the key objectives of the acquisition is to provide clients with the most advanced Internet and Web-based technology solutions to streamline candidate recruitment, review, and selection.

SERVICES

Shannon Executive Search is well-known for its work with public agencies to make their management structures more efficient. Shannon provides executive search services, focusing on the recruitment and selection of key city, county and district management, professional and technical staff; organizational development and training, including group facilitation, team building, organizational troubleshooting, and staff development; and HR advisory services, consulting on position classification and compensation analysis, civil service and merit system restructuring, and management performance assessments.

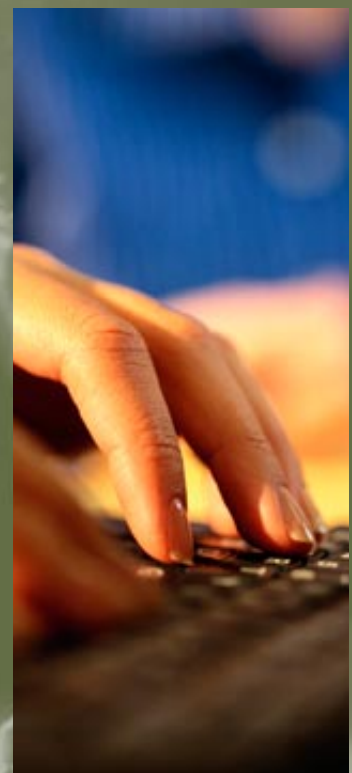
A WEALTH OF EXPERIENCE

Shannon’s roster of clients is a virtual “Who’s Who” of California cities, counties, and public agencies, including San Francisco, San Jose, Los Angeles County, CalTrans, the Golden State Museum, UCLA, and Volunteers of America.

Expanding
our
services



"Our challenge is to always be relevant and forward-looking. That is why we are out testing the waters to bring our clients practical, proven solutions."



TESTING AND SEMINAR SERVICES

Commitment to Quality

STATE OF WISCONSIN TESTING

CPS created a custom, online test registration system for the state of Wisconsin.

The contract covers testing for five job classifications: Certified Public Accountant, Geologist, Land Surveyor, Landscape Architect, and Engineer. Candidates for these jobs can now go online to register and pay on the state's fully automated Web site.

This marked CPS' first large contract with the state of Wisconsin.

ONLINE TESTING

CPS continued to make ordering and administering tests faster and easier through the Internet.

Clients can now get approved online, then order and administer tests via the Internet at their convenience. Immediate scoring is also available.

We also implemented new e-commerce applications, including the Bay Area Firefighters and Paramedics Registry.

PAN TESTING

CPS began partnering with Performance Assessment Network (PAN), the leader in e-testing, to offer more online testing options to our clients.

Using PAN, a state-of-the-art Web-based system, CPS clients can order and administer tests online at their convenience. Scores are available almost instantaneously, and CPS can e-mail the client a score report.

The partnership reduces the "hassle factor" involved in shipping tests. It is part of CPS' commitment to using technology to make testing easier and faster for our clients.

NEW ITEM BANK

Last year, CPS teamed up with SPSS Inc., the industry leader in comprehensive data mining technology, to create an Item Bank that will store multiple test items on the Internet, making it easy for clients to retrieve them.

CPS developed the Web-based program, which includes test item performance data and scoring keys. It enables CPS to select test items based on statistics.

CPS has begun moving approximately 40,000 items into the bank. As the number of available items grows, CPS will be able to expand the bank limitlessly simply by adding additional storage.

The new Item Bank is another sign of CPS' commitment to the Internet and related technologies.

SEMINAR SERIES

Last year, CPS added two new seminars—Selection Basics and Interview Construction and Administration—to our popular series of training seminars.

The series, which began in 2000, are designed to give professional staff the tools they need to do their jobs. The seminars, led by knowledgeable consultants, provide useful, real-world information and hands-on activities.

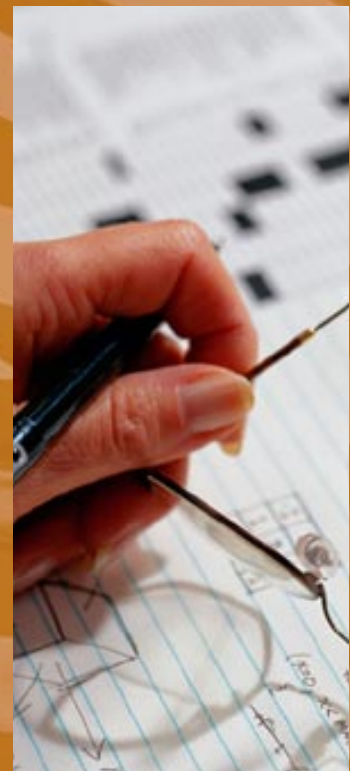
Last year, the seminar series were one of CPS' most successful products. We currently offer seminars in both Sacramento and Ontario, and plan to expand even further next year.

Commitment
to
quality



"I would like to express our deep appreciation for all of the support CPS has provided to IPMA."

*- Neil E. Reichenberg,
Executive Director, IPMA*



GOVERNMENT CONSULTING

Focus on Results

WORKFORCE PLANNING GUIDE

In 2002, we helped author a monograph on workforce planning. The International Personnel Management Association (IPMA), in partnership with CPS, published the IPMA Workforce Planning Guide, the first guide ever produced on this important topic specifically for public-sector HR professionals.

The 66-page guide, which was distributed to IPMA's 4,000 members, discusses how public agencies can address the HR "bubble" to ensure an adequate workforce now and in the future.

The guide promises to be an invaluable tool for the profession.

TEAMING WITH THE FEDERAL GOVERNMENT

In 2002, CPS branched out to assist the federal government.

Last year, CPS was awarded Management, Organizational and Business Improvement Services (MOBIS) status, making it an authorized provider of services to the federal government.

An immediate benefit of MOBIS status manifested itself in a contract with the National Institutes of Health (NIH) and the National Institute of Allergy and Infectious Diseases (NIAID) to assist in the rapid expansion of staff in response to NIH's bioterrorism initiatives. We are helping to increase NIAID's efficiency and effectiveness by providing workforce planning, staffing support, testing and development of organizational structures to meet federal classification standards, training needs assessments, and employee relations support.

RECRUITING SOCIAL WORKERS

Last year, we dramatically expanded our efforts to help California counties attract and retain social workers.

CPS added staff specifically devoted to focused recruitment and outreach activities, developed brochures and advertisements, and contracted with Monster.com to recruit social workers online throughout the country. We also streamlined the recruitment process, making it easier for counties to quickly hire qualified candidates.

CPS' efforts were successful. In addition to an increase in the number of people applying for social worker positions, California counties reported that no positions were left unstaffed because they could not find qualified candidates.

EMPLOYMENT LAW AND WORKFORCE TRAINING

CPS continued to offer its popular workplace and employment law training seminars. These affordable sessions identify preventive measures public agencies can take to avoid workplace legal issues and create a positive work environment.

Last year, CPS contracted with the California Department of Transportation (CalTrans) to offer its "Meet You at the Crossroads" seminar, which provides an intensive overview of equal employment rights. Other high-profile clients include the California State Lottery, Department of Industrial Relations, Department of Insurance, and the Boating and Waterways Department.

In a departure for CPS, we also began offering half-day seminars, open to anyone who wants to attend.

In conjunction with workforce training, CPS offered cost-effective, employment-related investigations, staffed by CPS attorneys and private investigators, to public-sector agencies.

Focus
on
results

Case Studies

Re-Engineering HR for the City of Atlanta

Last year, the city of Atlanta turned to CPS to conduct a high-profile study of its HR processes and identify ways to improve them.

Mayor Shirley Franklin ordered the study, following an election-year promise to reform city government. CPS won the contract, which required a quick turnaround, over several other bidders.

CPS looked at how the city handles strategic planning, classification and compensation, training, performance management, career development, time and attendance, payroll, workers' compensation, and employee separation. It found, among other things, that the city wastes millions of dollars on payroll and paper time cards and that the city's

computer system for managing its employees does not work well. CPS recommended the city abandon both practices and contract out for training, payroll, and personnel.

"This contract was a very big deal for us," said Robert Lavigna, Senior Manager for CPS' regional office in Madison, Wisconsin, which conducted the study. "It was the largest contract awarded to this office."

"The CPS team did a great job, and we were very pleased with the quality of the work," said David Edwards, project manager with the Atlanta Mayor's office. "CPS put an experienced team on the ground, were very responsive to our needs, and delivered what they promised."

Assessment Center for the City of Denver

Every year, CPS conducts assessment centers for public agencies across the United States. Last year, the Denver Police Department turned to CPS for its expertise in designing and conducting an assessment center for its lieutenant promotional exam.

CPS worked closely with the Denver PD and the Civil Service Commission (which has jurisdiction over police and fire department testing) to devise fair and effective assessment tools. CPS recruited and trained the evaluators, and two CPS staffers were on site during the week of testing to oversee the process. In August, 36 candidates for promotion went through the assessment center. In a testament of CPS' success, there were no grievances or challenges to the high-profile test.

"It went off without a hitch," said Matt Gruver, CPS Principal Consultant and manager of assessment services. "That is a great achievement."

Online Registration for the State of Wisconsin

When the state of Wisconsin asked CPS to design a custom online test registration system, we faced an enormous challenge: creating a system that could handle five different exams, all with varying requirements and backgrounds.

Enter CPS' IT department. Before the ink on the contract was dry, our IT specialists went to work, designing a Web-based system that would allow candidates to register and pay online with a credit card.

CPS had already designed similar systems for the Bay Area Regional Firefighters and Paramedics Registration and the Federal Court Interpreter Certification Examination Program. But the Wisconsin contract, which covers testing for five national-level professional exams (Certified Public Accountant, Geologist, Land Surveyor, Landscape Architect, and Engineer), was five times larger than anything we had ever done in the past.

CPS' IT experts began work in March 2002, drawing up specs and designing the system, which utilizes a universal back-in tracking system and centralized data collection, and by the end of July it was up and running. The system is so easy to use that 80 percent of exam candidates registered online. CPS maintains the data at its central server, making reporting fast and convenient.

"The system is modular and easily modifiable," said James Stephens, CPS' Webmaster and e-commerce development manager. In the future, if the state of Wisconsin wishes to add more professional exams to its site, CPS can do so quickly and easily. It can also replicate the system for other states that want online test registration for their national-level exams.

POSITIONED FOR THE FUTURE

Continuing Our Success

OPENING NEW OFFICES

To expand our national presence, we opened two new offices: in Madison, Wisconsin, and Washington, D.C. The Madison office, which opened in May 2001, helped extend CPS' reach into the Midwest and Southeast. The D.C. office, which opened in November 2002, solidifies CPS as a national organization.

INVESTING IN TECHNOLOGY

CPS is committed to integrating new technology into our business. We constantly invest in improving the effectiveness and availability of our Information Technology staff, equipment, and software. Starting with online application and screening processes, we are moving into other areas, always focused on staying one step ahead.

PROVIDING GRANTS

CPS has joined with the International Personnel Management Association to establish a nationwide grant program to encourage innovation in public-sector human resources. Together, we will offer a \$25,000 grant one or two times a year to local or state government agencies.

WORKING WITH THE FEDERAL GOVERNMENT

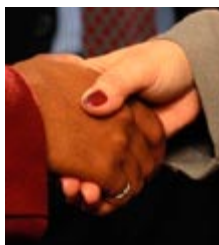
CPS recently became an authorized provider of services to the federal government. Inclusion on the Management, Organizational and Business Improvement Services (MOBIS) list will enable CPS to work with federal agencies without having to undergo the RFP process.

Under MOBIS, CPS looks forward to increasing its national presence in the HR community.

Continuing our success

Partnerships

PARTNERING WITH OTHER ORGANIZATIONS



In 2002, CPS partnered with other public-sector and HR organizations and agencies to provide services to its members.

We continued our longtime arrangement

to provide HR advisory services to the California State Association of Counties (CSAC) and began providing similar services to the Association of California Water Agencies (ACWA). CPS teamed up with Shannon Associates, now a division of CPS, in its work for these clients.

We also created an exciting new alliance with the International Personnel Management Association (IPMA). At the end of the year, we

joined with IPMA in a partnership to establish a nationwide grant program to encourage innovation in public-sector human resources. The \$25,000 grant will recognize contributions to public service that foster quality, fairness, equity, and solutions to organizational needs. Each recipient will use the funds to establish a unique or innovative HR-related program within his or her agency.

LEADERSHIP IN THE HR COMMUNITY

In 2002, CPS consultants maintained high visibility in the national HR community by giving a record number of presentations and workshops and by serving as leaders in professional and community organizations. Our participation has made CPS an active participant and recognized leader in the industry.

FIVE YEARS OF FINANCIAL GROWTH

FINANCIAL REPORT

CPS continued its strong financial performance capping its five-year business plan and exceeding plan goals. CPS experienced an 18.2% growth in revenues over the previous year and an amazing 111.8% growth in revenues over the last five years. "We are extremely pleased with the success of our growth," said

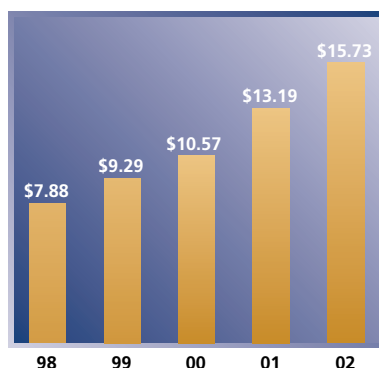
Ed Cole, Co-Executive Director. "The financial performance is a reflection of our commitment to providing quality products and achieving the highest level of client satisfaction." By ensuring financial stability, good fiscal oversight, and offering a diverse line of products and services, CPS will continue its important role of assisting public agencies in North America.

FINANCIAL HIGHLIGHTS (IN MILLIONS)

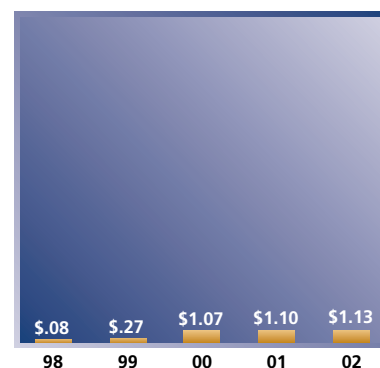
Total Operating Revenues



Total Operating Expenses



Net Operating Income



	2002	2001	2000	1999	1998
Retained Earnings - Beginning	7,506,706	5,962,783	4,660,360	4,253,654	4,595,641
Retained Earnings - End	8,860,757	7,506,706	5,962,783	4,660,360	4,253,654
Total Assets	12,866,921	10,325,919	8,847,811	6,738,235	6,093,315
Total Liabilities	4,006,164	2,819,213	2,659,987	1,818,357	1,530,830
Total Equity	8,860,757	7,506,706	6,187,624	4,919,878	4,562,485

Helping Others



The staff at CPS believes in doing a variety of good for others and giving back to the community through work with local

charities. Most recently, CPS has supported the Canine Companion for Independence Program.

Canine Companions for Independence is a program that provides assistance dogs to people with developmental

or physical disabilities who can demonstrate that a Canine Companion will enhance their independence or quality of life.

David Tirapelle retired from CPS in 2001 after four years as a Client Services Manager. "After I retired, I wanted to give back to the community," said David.

David volunteers with the Puppy Raising program to help create a meaningful change in someone's life. Featured at left is David with his puppy of ten months, Hoaka, a Hawaiian name for "Gentle Spirit".

The employees at CPS support David's volunteer work with the program. After retiring, David began working part-time with CPS in its business development unit. Since then, CPS has encouraged David to bring Hoaka into the work environment to assist in her continued training.

The CPS staff has embraced Hoaka as a member of the team and enjoy having her in the office. "We feel good knowing that we are making a difference in Hoaka's progress to help someone in need of her services," said Pam Stewart, Executive Director of CPS.

CPS BOARD OF DIRECTORS

David Hill

Chair of the Board and HR Director for the City of Anaheim

Mike DeBord

Human Resources Agency Administrator, County of Sacramento

Claudette Enus

Director of Human Resources, City of Las Vegas

Peter Fox

Secretary, State of Wisconsin Department of Employment Relations

Andrea Gourdine

Director of Human Resources, City-County of San Francisco

Richard Ide

Director of Classified Personnel, Hayward Unified School District

Gwen McDonald

Director of Human Resources, East Bay Municipal Utility District

Ray Myers

Director of Personnel and Employee Relations, County of Sonoma

Walter Vaughn

Executive Officer, California State Personnel Board

CPS MANAGEMENT TEAM

Pamela Stewart

Co-Executive Director

Ed Cole

Co-Executive Director

Jerry Greenwell

Deputy Executive Director

Dave Caffrey

Senior Manager, State Government Services

Bruce Davis

Senior Manager, Test Development and Test Rental

Brian Gegan

Chief Information Officer

Mertianna Georgia

Senior Manager, Local Government Services

Fili T. Gonzalez

Chief Financial Officer

David Harris

Senior Manager, Executive Search

Susan Helland

Senior Manager, Local Government Services

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Senior Manager, Washington, D.C. Regional Office

Robert J. Lavigna

Senior Manager, Wisconsin Regional Office



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